

Message Text

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ACTION NEA-10

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FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC 2381

USDOC WASHDC

UNCLAS SECTION 1 OF 2 DAMASCUS 1982

FOR NEA/ARN DRAPER

E.O. 11652: N/A

TAGS: BEXP, SY

SUBJECT: PROPOSAL FOR PERMANENT U.S. PAVILION AT DAMASCUS

INTERNATIONAL FAIR

1. SUMMARY. FOR CONSIDERABLE PERIOD SYRIAN AUTHORITIES HAVE URGED EMBASSY TO CONSTRUCT PERMANENT U.S. PAVILION AT DAMASCUS INTERNATIONAL FAIR GROUNDS AND HAVE OFFERED INDUCEMENTS TO MAKE THEIR SUGGESTIONS MORE ATTRACTIVE. EMBASSY HAS REVIEWED POSSIBILITIES, INCLUDING COST FIGURES, AND BELIEVES PROPOSAL PRESENTS NUMEROUS ADVANTAGES BOTH POLITICAL AND FINANCIAL. WE ARE FORMALLY REQUESTING DOLS 75,000 FOR THIS PURPOSE, AND SUGGEST USE OF MIDDLE EAST SPECIAL REQUIREMENTS FUND (MESRF) AS AN APPROPRIATE SOURCE. END SUMMARY.

2. THERE IS NO DOUBT THAT FOR FORESEEABLE FUTURE USG WILL HAVE A STRONG INTEREST IN PARTICIPATING ANNUALLY IN DAMASCUS FAIR. IT IS AMONG BEST AND MOST VISIBLE WAYS WE HAVE OF SIGNALING U.S. INTEREST IN SYRIA, ITS ECONOMIC DEVELOPMENT, ITS MARKETS AND IN BUILDING FIRM U.S.-SYRIAN BILATERAL RELATIONS. NOT TO PARTICIPATE FOR ANY REASON WOULD BE CONSIDERED A NEGATIVE POLITICAL GESTURE. SYRIAN
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GOVERNMENT PLACES GREAT IMPORTANCE ON FAIR AND REGARDS PARTICIPATION AS BAROMETER OF ITS RELATIONS WITH OTHER COUNTRIES.

3. THERE ARE ALSO REAL COMMERCIAL BENEFITS FROM PARTICIPATION IN FAIR. SPECIAL EXEMPTIONS EXIST FOR PRODUCTS WHOSE IMPORT IS NORMALLY FORBIDDEN BECAUSE THEY

COMPETE WITH DOMESTIC PRODUCERS WHICH AMOUNTED TO DOLS 50,000 LAST YEAR, MORE THAN COMPENSATING USG FOR FOREIGN EXCHANGE COSTS OF PARTICIPATION.FURTHERMORE, FAIR SERVES AS SINGLE BEST INTRODUCTION FOR U.S. FIRMS, PARTICULARLY SMALLER ONES, INTO SYRIAN MARKET. FINALLY, THERE ARE INTANGIBLE BUT LARGE PUBLIC RELATIONS BENEFITS TO U.S. FROM PARTICIPATION IN DAMASCUS MAJOR SOCIAL/ COMMERCIAL EVENT AND ANNUAL CARNIVAL.

4. EACH YEAR EMBASSY HAS HAD TO MAKE ALL ARGUMENTS ABOVE; EACH YEAR WE HAVE HAD TO SEEK FINANCING OF OUR PARTICIPATION THROUGH AD HOC ARRANGEMENTS; AND EACH YEAR WE HAVE BEEN DELAYED TO LAST MINUTE IN OBTAINING APPROVAL. PERMANENT U.S. PAVILION WOULD OBTAIN NEED FOR THIS AND SAVE EVERYBODY A LOT OF WORK. OVER NEXT FEW YEARS IT SHOULD ALSO SAVE USG A GREAT DEAL OF MONEY.

5. THE FINANCIAL INDUCEMENTS ARE AS FOLLOWS:

(A) A DOLS 2500 MINIMUM REBATE ON RENTAL FEES FOR 1977 FAIR (THIS REBATE DEPENDENT ON FIRM USG COMMITMENT PROCEED WITH PERMANENT PAVILION AND IMPROVEMENTS TO PRESENT RENTED PAVILION ALREADY BUDGETED);

(B) FREE LAND FOR A PERIOD OF YEARS FOLLOWED BY REDUCED RENTALS FOR SEVERAL YEARS. (THE SOVIETS HAVE AN AGREEMENT PERMITTING THEM A 50 PERCENT DISCOUNT ON LAND RENTAL FOR EIGHT YEARS. IF WE HAD A SIMILAR AGREEMENT WE WOULD HAVE SAVED USG SOME DOLS. 10,000 UNCLASSIFIED

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IN 1977 ALONE. (NOTE THAT FAIR RENTAL FEES INCREASED 67 PERCENT FROM 1976 TO 1977.) WE BELIEVE THE SYRIAN GOVT. WOULD BE WILLING TO NEGOTIATE A BETTER DEAL FOR USG;

(C) THE USG WOULD SAVE ON OTHER USES TO WHICH WE COULD PUT FAIR BUILDING IN OFF-SEASON SUCH AS TEMPORARY STORAGE, EXHIBIT RENTAL TO OTHER AGENCIES, ETC.. PAVILION WOULD GIVE US STORAGE SPACE FOR INCOMING SHIPMENTS OF EQUIPMENT, FURNITURE, ETC. WHICH WE NOW ARE OBLIGATED TO LEAVE UNCLEARED AND OFTEN UNGUARDED IN OPEN AIR CUSTOMS AREAS OWING TO LACK OF STORAGE FACILITIES;

(D) SYRIAN GOVT. WILL PROVIDE AN EXTRA TELEPHONE LINE TO EMBASSY FOR FAIR BUT AVAILABLE YEAR-ROUND (IN DAMASCUS THIS IS A GIFT NOT TO BE LOOKED IN THE MOUTH); AND,

(E) MOST IMPORTANTLY, WE WOULD HAVE INCREASED REVENUES FROM PARTICIPANTS IN A PAVILION WHICH,THOUGH NOT

NECESSARILY LARGER, WOULD PROVIDE A MORE EFFICIENT USE
OF SPACE.

6. EMBASSY BELIEVES WE COULD CONSTRUCT A PERMANENT
PAVILION WITHIN THE DOLS 75,000 REQUESTED. WE HAVE
RECEIVED OFFERS TO PUT UP 1000 SQUARE METER METAL BUILDING
MEETING BOTH ESTHETIC AND PRACTICAL REQUIREMENTS FOR PRICES
VARYING FROM DOLS 75,000 TO DOLS 112,000. IF 1977 FAIR
GOES ACCORDING TO PLAN, WE COULD HAVE DOLS 5,000 AND
POSSIBLY DOLS 15,000 AS PROFIT TO CARRY OVER TO 1978.
SECONDLY, AS IN 1977, WE WOULD EXPECT ADDITIONAL USG
PARTICIPATION OF DOLS 15-20,000 FOR 1978 FAIR (IF THIS
SOUNDS LIKE DOUBLE-DIPPING WISH TO POINT OUT THAT USG
WOULD BE STUCK WITH AT LEAST THIS MUCH ANYWAY IF WE
WANTED TO PARTICIPATE IN 1978 FAIR AS WE ARE CONFIDENT
FAIR FEES WILL CONTINUE TO INCREASE.) THIRDLY, MINIMUM
DOLS 10,000 SAVINGS ON 1978 RENTAL (MORE IF FAIR FEES
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INCREASE AS EXPECTED) BRINGS US A TOTAL OF DOLS
30,000 MINIMUM AND DOLS 45,000 MAXIMUM. THE ADDITIONAL
DOLS 75,000 WOULD COVER CONSTRUCTION COSTS WHICH SHOULD
NOT EXCEED DOLS 100,000 (UNLESS USG DESIRES REAL
SHOWCASE BUILDING.) AS A CUSHION WE WOULD HAVE INCREASED
REVENUES FROM A LARGER U.S. EXHIBITION. LOCAL AGENTS
OF U.S. COMPANIES WHO ARE VERY INTERESTED TO PARTICIPATE
IN THE FAIR COULD ALSO BE APPROACHED FOR CONTRIBUTIONS.
FOR MANY, THE SPECIAL FAIR IMPORT QUOTAS ARE THEIR ONLY
OPPORTUNITY TO IMPORT U.S. CONSUMER GOODS NORMALLY
FORBIDDEN BECAUSE THEY COMPETE WITH LOCAL PRODUCTION

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FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC 2382
USDOC WASHDC

UNCLAS SECTION 2 OF 2 DAMASCUS 1982

FOR NEA/ARN DRAPER

7. ASSUMING 20 PERCENT INCREASE IN NORMAL FAIR RENTAL FEES EACH YEAR AND 20 PERCENT INCREASE IN RECEIPT FROM PARTICIPANTS, BOTH ASSUMPTIONS EMBASSY REGARDS AS REASONABLE, CONTINUATION OF PRESENT PRACTICE OR PERMANENT PAVILION WILL SHOW COMPARATIVE COST FIGURE 1978-1985 AS FOLLOWS:

YEAR	RENTAL COSTS (IN DOLS)	PERMANENT RENTAL COSTS (IN DOLS)	REVENUES FROM RENTED PAVILION (IN DOLS.)	RESERVES FROM PERMANENT PAVILION (IN DOLS)
1978	13,961	75,000	111,6000	134,400
	(MESRF ONLY)			
1979	16,753	-0-	133,920	161,280
1980	20,103	-0-	160,704	193,536
1981	24,124	-0-	192,844	232,243
1982	28,949	8,024	231,413	278,691
1983	34,739	9,630	277,696	334,438
1984	41,687	11,505	333,235	401,316
1985	50,024	13,867	399,883	481,579

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OUTSIDE SPACE WOULD BE RENTED AT SAME FIGURE, INSIDE SPACE WOULD BE RENT-FREE FOR FOUR YEARS, AT 50 PERCENT OF OUTSIDE SPACE COST FOR FOUR MORE YEARS. DIFFERENCE IN COSTS AND REVENUES SHOW PAYOUT FOR \$75,000 MESRF CONTRIBUTION BETWEEN 1978 AND 1979 FAIRS, AND A SELF-SUPPORTING PAVILION THEREAFTER.

8. IF OUR CALCULATIONS ARE WRONG, WE CAN STOP AFTER INITIAL STUDIES ARE COMPLETE AND AT WORST HAVE LOST ONLY SOME OF POSSIBLE 1977 PROFIT, I.E., REBATE AS PER PARA 4.

9. IN ADDITION TO PURELY CASH SAVINGS TO USG, A PERMANENT PAVILION WOULD PROVIDE FOLLOWING LESS TANGIBLE ADVANTAGES:

(A) PRESENT BUILDING RENTED ANNUALLY FROM FAIR AUTHORITIES IS LOCATED OPPOSITE SOVIET PAVILION, A NEAR CLASSIC EXAMPLE OF SOCIALIST REALISM ARCHITECTURE, WHILE THE FORMER'S ESTHETICS ARE EVEN LESS APPEALING THAN SOME OF THE STRUCTURES THAT GRACED THE MALL AFTER WW II;

(B) USG WOULD AVOID PAINFUL INTERNAL SEARCH FOR FUNDING EACH YEAR AND AVOID CLIFF-HANGERS WHEREIN WE TRY TO CONVINCE SARG THAT FAILURE TO PARTICIPATE IN FAIR THEY PUT SO MUCH STORE BY IS NOT A POLITICAL STATEMENT, BUT RATHER ATTRIBUTABLE TO AN INTERNAL USG SQUABBLE OVER WHO SHOULD PAY OUT A MINISCULE SUM OF MONEY. (A SELF-SUPPORTING FAIR WOULD RELIEVE WASHINGTON AND DAMASCUS OF MUCH WORK.); AND,

(C) IF WE SHOULD DECIDE A POLITICAL STATEMENT IS IN ORDER AND NOT PARTICIPATE IN THE FAIR, THE USG WOULD STILL MAKE MONEY; A CLAUSE IN THE PROPOSED AGREEMENT WITH THE FAIR AUTHORITY WOULD PERMIT US TO LOAN THE BUILDING BACK TO THE FAIR AUTHORITY FOR USE BY SOMEONE ELSE ON A SHARECROPPING BASIS.

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10. TO SUM UP, IN EMBASSY JUDGMENT IT WOULD GIVE USG FAIR BETTER PAVILION THAN CURRENT CONVERTED WAREHOUSE, AND SUBSTANTIAL SAVINGS OVER A MULTI-YEAR PERIOD. ALSO GIVEN IMPORTANCE OF OUR PARTICIPATION IN THE FAIR TO OUR RELATIONS WITH SYRIA IN BOTH THE POLITICAL AND THE ECONOMIC SENSE, AND THE VIRTUAL CERTAINTY WE WILL WANT TO PARTICIPATE REGULARLY IN THIS EVENT IN YEARS AHEAD, IT WOULD MAKE VERY GOOD SENSE TO MAKE DECISION NOW TO CONSTRUCT PERMANENT U.S. PAVILION AT DAMASCUS INTERNATIONAL FAIR AND TO ALLOCATE DOLS 75,000 OF USG FUNDS FOR THIS PURPOSE. MURPHY

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